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State Regulation and Compliance

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March 31, 2017

Docket Control
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Arizona Corporation Commission

DOCKETED

MAR 31 2017

DOCKETED BY
GB

RE: Arizona Public Service Company
2015 Renewable Energy Standard Annual Compliance Report
Docket No. E-00000R-16-0084

Pursuant to Arizona Administrative Code R14-2-1812(A), Arizona Public Service Company (APS or Company) is required to file an annual report detailing its compliance with the Renewable Energy Standard (RES) rules:

Beginning April 1, 2007, and every April 1st thereafter, each Affected Utility shall file with Docket Control a report that describes its compliance with the requirements of these rules for the previous calendar year. The Affected Utility shall also transmit to the Director of the Utilities Division an electronic copy of this report that is suitable for posting on the Commission's website.

Pursuant to Commission Decision No. 72022, APS is also required to submit a summary of the RES Compliance Report and a PowerPoint presentation.

Attached please find the Company's 2016 RES Compliance Report, Report Summary, and PowerPoint presentation. An electronic copy of the RES Compliance Report will also be provided to Staff's Utilities Division Director. Competitively confidential information contained in the Report and native Excel files will be submitted to Staff separately pursuant to an executed Protective Agreement.

If you have any questions, please contact me at (602) 250-3341.

Sincerely,

Kerri A. Carnes

KC/oa

c: Eli Abinah (via e-mail with file for publication)
Terri Ford
Barbara Keene

Arizona Public Service Company

2016 Renewable Energy Standard (RES) Compliance Report

Summary

In 2016, APS's renewable energy portfolio produced 3,351,983 MWh, including energy from installations in which an incentive was not provided, which comprised **12.0 percent** of APS's 2016 retail sales. This amount is provided for informational purposes only; APS's compliance with the RES requirements is discussed below.

APS 2016 Renewable Compliance Requirements

For calendar year 2016, APS exceeded compliance with all RES requirements. The Arizona Corporation Commission (Commission) requires through the Renewable Energy Standard and Tariff (RES Rules) that 6.0 percent of the utility's 2016 retail kilowatt-hour (kWh) sales come from eligible renewable energy resources, a total of 1,678,030 MWh is to be fulfilled with energy produced from Distributed Energy (DE) resources. The RES Rules further mandate that 30 percent of an affected utility's total requirement (503,409 MWh) be fulfilled with energy produced from Distributed Energy (DE) sources, one-half of which (251,705 MWh) may come from residential applications and the remaining one-half from non-residential, non-utility applications. Under the RES Rules, compliance is measured using Renewable Energy Credits (RECs). A REC is defined as the environmental attributes associated with a kWh of energy derived from eligible renewable resources or the kWh equivalent of conventional resources displaced by distributed resources;¹ however, throughout the Compliance Report APS discloses its production in megawatt-hours MWh.

APS 2016 RES Performance

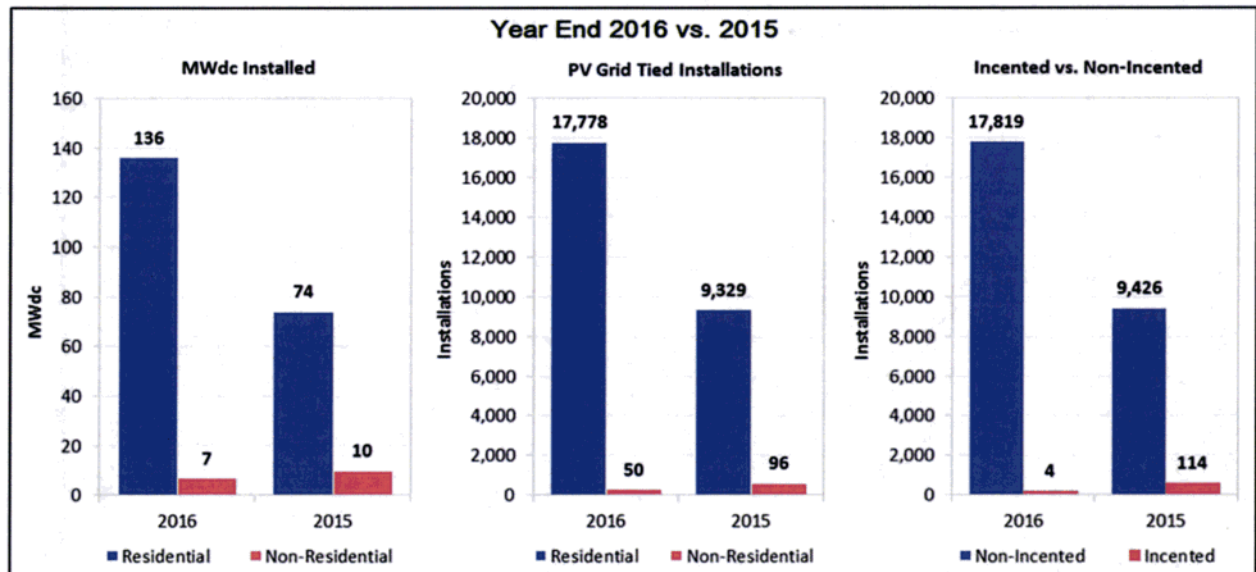
Category	Metric	%	Compliance Measure (MWh)	RES Resources (MWh)	% of Requirement
2016 Total RES Requirement	% of Retail Sales	6.0%	1,678,030	2,871,942	10.3%*
Distributed Energy RES Requirement	% RES Requirement	30%	503,409	795,804	158%
Residential DE Requirement	% of DE Requirement	50%	251,705	297,295	118%
Non-Residential DE Requirement	% of DE Requirement	50%	251,705	498,509	198%

* Represents percentage of APS's total retail sales in 2016

¹ A.A.C. R14-2-1801(N).

Distributed Energy Resources

In 2016, 143 MWdc of new DE systems were installed (approximately 136 MWdc of residential and 7 MWdc of non-residential). A total of 17,823 residential installations (17,778 PV Grid-Tied, 45 Solar Water Heating) were completed in 2016. Among non-residential customers a total of 51 installations (50 PV Grid Tied and 1 Solar Water Heating) were completed in 2016. At the end of 2016, approximately 703 MWdc of cumulative DE capacity had been installed in APS service territory.



2016 RES Associated Revenue and Costs

For the 2016 budget year, the Company received authorization for a total RES budget of \$147.9 million.² After offsetting funding, the Renewable Energy Adjustment Charge (REAC-1) was authorized to collect approximately \$100.8 million. REAC-1 collects funds for RES programs based on a per kWh charge for most customers. Revenue collected in a prior year that has been accrued and designated to offset expenses in the current year is also available. The 2016 REAC-1 Adjustment Schedule is provided below:

	Residential	XS Commercial (<20 kW)	XS/Small Commercial (20-100kW)	Medium Commercial (100-400 kW)	Large Commercial (400-3,000 kW)	Industrial (>3,000 kW)
2016 Charge/Cap (Non-DG Customers)	\$0.009355/kWh					
	\$3.74	\$138.99		\$233.88	\$467.75	\$3,040.00
2016 Average (DG Customers)	\$3.41	Cap: \$138.99 Floor: \$7.81	Cap: \$138.99 Floor: \$39.06	\$200.58	\$409.33	\$3,040.00

² Decision No. 75422 (January 19, 2016).



2016 RENEWABLE ENERGY STANDARD COMPLIANCE REPORT

Docket No. E-00000R-16-0084

April 1, 2017

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In 2016, APS has 3,351,983 MWh of renewable energy resources on its system, including energy from rooftop solar installations for which an incentive was not provided. This is equivalent to nearly **12.0 percent** of APS's 2016 retail sales. APS's renewable energy portfolio and compliance with the Renewable Energy Standard (RES) are discussed below.

I. 2016 Renewable Energy Standard (RES) Results

A. Compliance with RES Requirements

The Arizona Corporation Commission (Commission) requires through the Renewable Energy Standard and Tariff (RES Rules) that 6.0 percent of the utility's 2016 retail kilowatt-hour (kWh) sales come from eligible renewable energy resources.¹ The RES Rules further mandate that 30 percent of an affected utility's total requirement be fulfilled with energy produced from Distributed Energy (DE) sources, one-half of which may come from residential applications and the remaining one-half from non-residential, nonutility applications. **For calendar year 2016, APS exceeded compliance with all RES requirements.**

Under the RES Rules, compliance to the RES is measured using Renewable Energy Credits (RECs). For the purposes of RES compliance tracking, a REC is defined as the environmental attributes associated with a kWh of energy derived from eligible renewable resources or the kWh equivalent of conventional resources displaced by distributed resources; however, throughout the Compliance Report APS discloses its production in megawatt-hours (MWh).²

The table below represents APS's 2016 performance vs. RES Requirements. A more detailed summary of APS's 2016 compliance is shown in Table 1a (see page 2). Table 1b (see page 3) illustrates total RES resources on the APS system at the end of 2016.

Category	Metric	%	Compliance Measure (MWh)	RES Resources (MWh)	% of Requirement
2016 Total RES Requirement	% of Retail Sales	6.0%	1,678,030	2,871,942	10.3%*
Distributed Energy RES Requirement	% RES Requirement	30%	503,409	795,804	158%
Residential DE Requirement	% of DE Requirement	50%	251,705	297,295	118%
Non-Residential DE Requirement	% of DE Requirement	50%	251,705	498,509	198%

* Represents percentage of APS's total retail sales in 2016

¹ A.A.C. R14-2-1801

² A.A.C. R14-2-1805D

Table 1a - 2016 Compliance Summary

Category	Metric	%	Compliance Measure (MWh)	RES Resources (MWh or Equivalent)	
Retail Sales	Actual MWh Sales for 2016		27,967,167		
Prior year carrying balance ³				4,651,351	(I)
2016 Total RES Resources [From (H) in Table 1b]				2,873,099	(J)
2016 Total RES Requirement	% of Retail Sales	6.0%	1,678,030		
DE Requirement	% of RES Requirement	30%	503,409		
DE Sub-Requirements:					
Residential DE	% of DE Requirement	50%	251,705	297,295	(K)
Non-Residential DE	% of DE Requirement	50%	251,705	498,509	(L)
Non-DE Target				882,226	(M)
Resources Used for 2016 Compliance (K + L + M)				1,678,030	(N)
End 2016 carrying balance (I + J - N)				5,846,420	(O)

Notes to Table 1a:

³The RES-eligible resource carrying balance is accounted for using First-In-First-Out (FIFO) methodology, wherein the entire carrying balance is applied to the RES requirement and the year-end carrying balance consists of current year remaining resources.

B. Installed Resources

An overview of APS's total installed portfolio as of the end of 2016 is provided in Table 1b. The table includes projects installed to-date from prior calendar years, accounting adjustments for RES eligibility standards, including the subtraction of Green Choice sales, the expected production (annualized) from installed DE systems, a multiplier applied to in-state solar installations completed by end of year 2005, and Renewable Generation Resources.³

1. Renewable Generation Resources

The Company's portfolio of Renewable Generation (RG) energy encompasses grid-scale renewable resources.⁴

³ See A.A.C. R14-2-1801R and Decision No. 72737. Wholesale Distributed Generation includes utility-owned and non-utility owners of eligible renewable energy resources interconnected at 69kV or lower.

⁴ APS defines Renewable Generation as renewable resources interconnected on the utility side of the meter. Renewable Generation resources are generally grid-scale projects and apply to the RES total production requirement.

Table 2a:
2016 RES Associated Revenues and Costs

Collected (Revenues)

System Benefit Charge (SBC) Revenue ¹	\$	6,000,000
Renewable Energy Standard (RES) Revenue & Other ²		<u>98,031,428</u>
<i>Subtotal: 2016 Collections</i>		<i>104,031,428</i>

2015 Committed Accrual ³		435,521
Prior Years Collected and Unallocated Funds		<u>35,764,916</u>
<i>Subtotal: Prior Year Funds</i>		<i>36,200,437</i>

Total: Available Revenue \$ 140,231,865

Expenses (Costs)

Energy/Incentives

Renewable Generation Purchased Power ⁴	\$	44,000,236
Paid Distributed Energy Incentives ⁵	\$	37,270,777
Committed Distributed Energy Incentives ⁶		<u>5,873</u>
<i>Subtotal: Energy and Incentives</i>	\$	<i>81,276,887</i>

Non-Energy Costs

Administration & Implementation		9,193,106
Research, Commercialization & Integration		22,500
Customer Outreach and Awareness Programs		<u>174,797</u>
<i>Subtotal: Non-Energy Costs</i>	\$	<i>9,390,403</i>

APS Owned Program Costs

Flagstaff CPP Revenue Requirement	\$	171,151
AZ Sun Revenue Requirement (net of PTC)	\$	33,388,606
Schools and Government Revenue Requirement	\$	5,002,161
<i>Subtotal: APS Owned Program Costs</i>	\$	<i>38,561,917</i>

Total: Expenses \$ 129,229,206

Net Balance	\$	11,002,658
2016 RES Program Offset ⁷	\$	<u>(31,400,000)</u>
<i>Allocated Balance</i>	\$	<i>(20,397,342)</i>

Notes to Table 2a:

¹ Collected from base rates.

² Collected as part of the environmental surcharge and other miscellaneous 2016 program related receipts.

³ Balance of Up-front Incentives reservations issued but not yet paid as of year-end 2015.

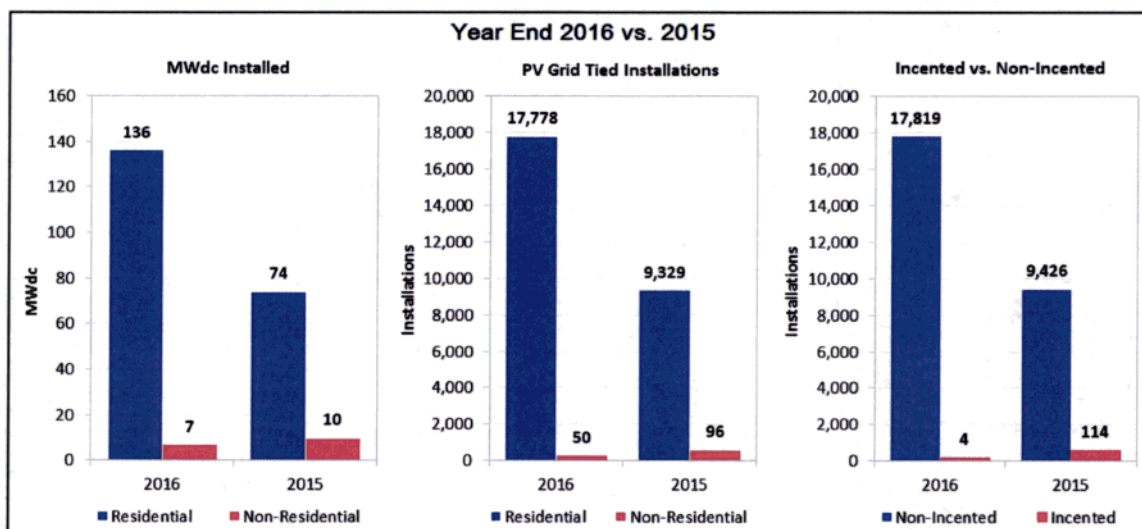
⁴ Includes \$44.3M in costs less \$(297K) in Gross Green Choice revenue collections.

⁵ Incentives paid in 2016 (including installations before current program year but processed for payment in 2016).

⁶ Balance of Up-front Incentives reservations issued but not yet paid as of year-end.

⁷ Unallocated funds designated to offset 2016 budget, for more information see Decision No. 75422. 3 | Page

2. Distributed Energy Resources



II. 2016 Associated Revenue and Costs

Each year, APS develops a total renewable energy program budget based on estimated expenses for renewable generation and distributed energy programs and projects. As shown in Table 2a, total available funding in 2016 was approximately \$140 million.

A. Renewable Energy Standard Adjustment Charge (REAC-1)

Revenues to offset these expenses are collected through both the Renewable Energy Standard Adjustment Charge (REAC-1) and base rates.⁵ REAC-1 collects funds for RES programs based on a per kWh charge for most customers. Revenue collected in a prior year that has been accrued and designated to offset expenses in the current year is also available.

1. 2016 RES Adjustment Schedule REAC-1

	Residential	XS Commercial (<20 kW)	XS/Small Commercial (20-100kW)	Medium Commercial (100-400 kW)	Large Commercial (400-3,000 kW)	Industrial (>3,000 kW)
	\$0.009355/kWh					
2016 Charge/Cap (Non-DG Customers)	\$3.74	\$138.99		\$233.88	\$467.75	\$3,040.00
2016 Average (DG Customers)	\$3.41	Cap: \$138.99 Floor: \$7.81	Cap: \$138.99 Floor: \$39.06	\$200.58	\$409.33	\$3,040.00

⁵ For additional information on (REAC-1) see Decision Nos. 73183, 73660, 73636 and 75442.

Table 2a:
2016 RES Associated Revenues and Costs

Collected (Revenues)

System Benefit Charge (SBC) Revenue ¹	\$ 6,000,000
Renewable Energy Standard (RES) Revenue & Other ²	98,031,428
<i>Subtotal: 2016 Collections</i>	<i>104,031,428</i>

2015 Committed Accrual ³	435,521
Prior Years Collected and Unallocated Funds	35,764,916
<i>Subtotal: Prior Year Funds</i>	<i>36,200,437</i>

Total: Available Revenue **\$ 140,231,865**

Expenses (Costs)

<i>Energy/Incentives</i>	
Renewable Generation Purchased Power ⁴	\$ 44,000,236
Paid Distributed Energy Incentives ⁵	\$ 37,270,777
Committed Distributed Energy Incentives ⁶	5,873
<i>Subtotal: Energy and Incentives</i>	<i>\$ 81,276,887</i>

<i>Non-Energy Costs</i>	
Administration & Implementation	9,193,106
Research, Commercialization & Integration	22,500
Customer Outreach and Awareness Programs	174,797
<i>Subtotal: Non-Energy Costs</i>	<i>\$ 9,390,403</i>

<i>APS Owned Program Costs</i>	
Flagstaff CPP Revenue Requirement	\$ 171,151
AZ Sun Revenue Requirement (net of PTC)	\$ 33,388,606
Schools and Government Revenue Requirement	\$ 5,002,161
<i>Subtotal: APS Owned Program Costs</i>	<i>\$ 38,561,917</i>

Total: Expenses **\$ 129,229,206**

Net Balance	\$ 11,002,658
2016 RES Program Offset ⁷	\$ (31,400,000)
<i>Allocated Balance</i>	<i>\$ (20,397,342)</i>

Notes to Table 2a:

¹ Collected from base rates.

² Collected as part of the environmental surcharge and other miscellaneous 2016 program related receipts.

³ Balance of Up-front Incentives reservations issued but not yet paid as of year-end 2015.

⁴ Includes \$44.3M in costs less \$(297K) in Gross Green Choice revenue collections.

⁵ Incentives paid in 2016 (including installations before current program year but processed for payment in 2016).

⁶ Balance of Up-front Incentives reservations issued but not yet paid as of year-end.

⁷ Unallocated funds designated to offset 2016 budget, for more information see Decision No. 75422.

B. Resource Costs

Pursuant to A.A.C. R-14-2-1812(b)(5), APS is required to report on any above-market, utility-scale power purchase expenditures as well as cash incentive payments by technology. Actual costs are competitively confidential and have been redacted, but will be provided to Commission Staff pursuant to a Protective Agreement in this matter. Table 2b reflects actual 2016 expenses for projects reaching commercial operation in multiple prior years and is not reflective of current market pricing.⁶

Table 2b - RES Resource Costs ¹

2016 RES-Attributable Energy Costs (Above Market - Utility Scale)			COMPETITIVELY CONFIDENTIAL ²		
Technology	MW	MWh	RES Cost (\$/MW) ²	RES Cost (\$/MWh) ²	Total RES Cost ²
Wind	289	776,711			
Biomass ³	14	102,074			
Landfill Gas	6	38,120			
Geothermal	10	77,324			
Solar PV PPA ⁴	60	155,209			
Solar CSP	250	643,670			
2016 RES-Attributable Energy Costs (Above Market - Utility Scale)					\$ 41,792,644

Notes to Table 2b:

¹ Includes only 2016 program year costs incurred under new and legacy projects within the RES budget and is not comparable to a levelized cost of energy.

² Redacted due to the competitively confidential nature of the information.

³ Includes gross generation, and does not adjust for Wholesale DE allocations.

⁴ Does not include Purchase Power Agreements from Distributed Energy sources.

⁶ Invoice costs do not include associated system integration costs for these resources.

Table 2c - RES Cash Incentive Costs**Distributed Energy Up Front Incentive Program Costs for the 2016 Solar Water Heating Program**

	MW	MWh ²	Up-Front Incentives		2016 Program Incentives (\$) ⁴
			(\$/MW)	(\$/MWh) ³	
<u>Solar Water Heating¹</u>					
Residential:	N/A	96	N/A	\$ 357	\$ 34,246
Non-Residential:	N/A	14	N/A	\$ 309	\$ 4,320

Distributed Energy Production Based Incentive Program Costs for Systems Paid in 2016

	MW	MWh	Production-Based Incentives		Total Incentives Paid (\$)
			(\$/MW)	(\$/MWh)	
Solar Electric	223	339,749	\$ 162,328	106	\$ 36,127,819
Solar Water Heating	N/A	2,647		48	\$ 127,848
Solar HVAC	N/A	6,010		123	\$ 738,496
<i>Subtotal: Production Based Incentives</i>	223	348,407			\$ 36,999,725

Notes to Table 2c:

¹Incentives offered in 2016 were for Solar Water Heating systems in the amount of \$0.30 per first year kWh offset. Some incentives may be less than \$0.30 due to de-rating resulting from the program inspection.

²Includes energy installed in calendar year 2016 (estimated annual system offset).

³Reflects 2016 incentive dollars divided by associated MWh.

⁴Amounts do not include incentives for systems installed prior to 2016.

C. Residential and Non-Residential Incentive Program

Some systems installed in 2016 were associated with incentive programs from prior years. The only remaining Up Front Incentive (UFI) commitments for 2016 totaled \$5,873 for Solar Water Heating (SWH) project reservations not yet installed. The SWH incentive level for residential and non-residential solar water heating systems was \$0.30/kWh in 2016.

D. Green Choice Rate Program

In 2016, the Commission authorized APS to extend its Green Choice Program and the three associated Green Power Rate Schedules GPS-1, GPS-2, and GPS-3. In 2016, 1,930 customers subscribed to these rates for 29,074 MWh of sales and gross revenue of \$296,565.

Green Choice sales are subtracted from total Renewable Generation, and do not count toward compliance with RES targets. The revenues collected in the Green Choice Program are to be used to offset the amount of budget funds that need to be collected through the RES adjustor.⁷

Green Choice block and percentage options are Green-e Energy Certified, and meet the environmental and consumer protection standards set forth by the nonprofit Center for Resource Solutions.

⁷ See Decision Nos. 71276 and 75422.

2016 GREEN CHOICE HISTORIC PRODUCT CONTENT LABEL ⁸

Green Choice is sold in blocks of 100 kilowatt-hours (kWh) or matches 10% (non-residential only), 35%, 50% or 100% of a customer's electricity usage. In 2016, Green Choice consisted of the below new renewable resources.

Green-e Energy Certified New Renewables in Green Choice 2016 ⁹		Generation Location
-Biomass	11.1%	Snowflake, AZ
-Landfill	2.4%	Glendale, AZ
-Wind	86.5%	Multiple Locations, NM
Total Green-e Energy Certified New Renewables	100%	

E. Solar Water Heater Study

In accordance with Decision No. 74949, APS invested approximately \$10,000 in Solar Water Heater (SWH) research and development to commission a study on the effects of SWH use relative to peak demand. By the end of January 2016, APS had installed SWH kits on eight homes in the study and began a subsequent 12-month data collection period in February 2016. APS is now analyzing the data and expects to report its findings by mid-2017.

F. Voluntary Solar Contribution Program

Decision No. 74823 approved the Voluntary Solar Contribution Program (Solar Assist) and required APS provide a progress report on October 1, 2016 and provide an update in its annual RES Compliance Report filings, as necessary.

APS's 2015 contribution of \$11,000 to the Solar Assist program made the first solar system installation possible. In 2016, this solar system remains the only solar system installed through the Solar Assist program. In the first quarter of 2016, an anonymous contribution of \$200 was the only Solar Assist donation made during this year. Education and outreach efforts surrounding the Solar Assist program took place between through the distribution of handouts at various events throughout the year beginning in March and distribution of a newsletter in October (See Appendix B).

2016 Voluntary Solar Contribution Program Results

	No. Received	Reporting Period 1/1/16-12/31/16	Total
Fund Balance as of December 31, 2015	-	-	\$11,609.74
Contributions		\$200.00	\$200.00
Interest Accrued/Investment Return	-	(\$468.11)	(\$468.11)
Expenses		(\$7.92)	(\$7.92)
Grants		(\$11,074.00)	(\$11,074.00)
Ending Fund Balance as of December 31, 2016	-	-	\$259.71

⁸ Power delivered to Green Choice customers in 2016.

⁹ New Renewables come from generation facilities that first began commercial operation within the past 15 years.

III. Additional Reporting

- Decision No. 72022 required APS to disclose whether its affiliates, employees, or directors have any financial or other interest in a renewable energy project. APS is not aware of any affiliates, employees, or directors having any financial or other interest in any third-party owned renewable energy project within APS's portfolio. Please see APS's 2015 RES Compliance Report for any disclosures made on this requirement in 2015 and 2014.
- Decision No. 72022 required APS to list cases within the previous three calendar years where APS has received damages or other considerations as a result of non-compliance related to RES contracts. No additional damages or other considerations were realized in 2016 as a result of non-compliance related to RES contracts. Please see APS's 2015 RES Compliance Report for any damages received in 2015 and 2014.
- Decision No. 71958 required APS to file in its annual REST reports, in the confidential materials provided to Staff, specific data associated with APS's Bagdad Solar Agreement. APS has provided this information to Commission Staff pursuant to a Protective Agreement executed in the matter.
- Decision No. 71646 required APS to provide Community Power Project - Flagstaff Pilot progress reports with its annual compliance report. APS completed the final installations associated with the Community Power Project in 2012. Updates on production and associated costs in 2016 for the Flagstaff Community Power Project can be found in Tables 1b and 2a.

Appendix

Appendix A: Schools Funded from 2009 UFI Funds – Total Production

In Decision No. 71275, APS was required to install a production meter at every school project that received an up-front incentive (UFI) pursuant to the Decision. Further, APS was required to monitor and report the actual metered production for these systems. Appendix A lists the in-service dates and 2016 actual energy production for all schools which received UFIs in 2009 as a result of this Decision.¹ All schools installed photovoltaic (PV) systems.

Schools Funded From 2009 UFI Program

In-service Date	Energy Produced in 2016 (kWh)
11/16/2010	387,920
8/26/2010	1,641,861
2/18/2011	447,441
9/27/2010	1,218,515
7/12/2010	645,072
10/22/2010	487,071
11/1/2010	207,133
11/3/2010	1,596,785
7/2/2010	190,585
8/31/2010	821,585
11/11/2010	477,945
Total kWh Production in 2016	8,121,912

¹ Energy produced from schools in the 2009 UFI Program is reflected on table 1b as part of the Non-Residential UFI Installations (Production (Actual)).

Appendix B: Voluntary Solar Contribution Program – Education and Outreach Materials



EASY ACTIVATION AND INSTANT ACCESS

When you activate your online account, you'll have instant, secure access to a wide range of free tools and resources to help reduce your energy usage and save money. Check out some of the useful functions you can perform anytime, day or night:

- View and pay your bill
- See your current and historical energy usage
- Sign up for AutoPay and Paperless billing
- Sign up for text and email alerts regarding outages and account information

To get started, activate your account at aps.com. And once you've created your username and password, you can also log in to our free APS mobile app.



BE ON TIME EVERY TIME

Life keeps you busy enough without having to wonder if you missed a deadline. Signing up for automatic payments can make life a little easier.

With AutoPay, you'll never have to worry about missing a payment. Every month, your bill will be paid automatically from your bank account, and you'll also receive an email notification with the amount paid and date of your payment. And since everything is done online, you can say goodbye to writing and mailing checks—not to mention late fees.

Enrolling in AutoPay is free and easy. Sign up anytime at aps.com/autopay.



Your Energy, Your Options

Try paperless billing—get an email when your bill is ready and add text or email alerts to remind you when your payment is due.



SHIFT, STAGGER AND SAVE

By making small changes to when and how you use energy, you can save money. All you need to remember is Shift, Stagger and Save.

- **Shift:** If you're on our Time or Combined Advantage plan, shift your energy usage to off-peak hours (7pm-12pm, M-F) when energy costs less.
- **Stagger:** Combined Advantage plan customers can save by staggering the use of major appliances (AC, dryer, oven, water heater) during on-peak hours (12pm-7pm, M-F) when energy costs more.
- **Save:** All customers can take advantage of energy-savings programs and rebates to save even more.

Visit aps.com/rates.com to learn more.

AT YOUR SERVICE

I am excited to tell you about a program that is helping fund rooftop solar systems for single family low-income housing. APS Solar Assist is a voluntary contribution program administered through our partnership with the Arizona Community Foundation.

For years, we have partnered with Habitat for Humanity to build and renovate homes, strengthen communities and inspire hope. The program will help fund rooftop solar systems for single family low-income housing constructed throughout our service territory by the central Arizona chapter of Habitat for Humanity.

Any voluntary tax-deductible donations to the fund are welcome, no matter how large or small, from customers and non-customers alike. Through this program, we can all support the growth of solar energy while helping make a difference for Arizona families.

For more information about the program, or to find out more about how to donate, please visit aps.com/solarassist.

Sincerely,



Stacy

Stacy Derstine
VP Customer Service and
Chief Customer Officer

WE'RE AVAILABLE 24/7 AT APS.COM
During core business hours of 7a.m.-7p.m.
(602) 371-3614 (metro Phoenix)
(800) 240-2014 (other areas)

REPORT AN OUTAGE:
855-OUTAGES (855-688-2437)

SIGN UP FOR OUTAGE ALERTS:
aps.com/alerts

TO RECEIVE YOUR BILL IN SPANISH:
(602) 371-6861

STAY CONNECTED:
 facebook.com/apsFYI @apsFYI

COMMUNITY CORNER



Environmental stewardship serves as a guiding principle as we work to create a sustainable energy future for Arizona. Protecting our natural resources for future generations is a priority. For years, we have partnered with Arizona organizations to create desert preserves, maintain our forests, protect our wildlife and conserve water.

The McDowell Sonoran Conservancy was founded in 1991 with the mission to champion the sustainability of the McDowell Sonoran Preserve. The land steward ensures safe enjoyable access while maintaining an ecological balance for all who visit Scottsdale's McDowell Sonoran Preserve. This year, the organization is celebrating its 25th anniversary.

We are honored to have been one of the first corporations to financially support the Conservancy. Our APS Community Connectors are among the Conservancy's more than 600 volunteers who, among other duties, patrol trails, restore damaged desert habitat and educate the public about the preserve through hikes, lectures and outreach programs.

Through these efforts, we are working to ensure Arizona's natural beauty is preserved. We encourage you to explore the state, and to take care to protect the landscape.

WHO KNEW?

Our customers can take advantage of discounted Suns tickets for the _____ game on _____, 2016. Come cheer on our home team as they face the _____. For discounted tickets, please visit _____ Go Suns!



SAFETY FIRST



If you're putting up Halloween lights, please make sure they're approved for outdoor use by checking for the UL logo on packaging and keep all electric cords and decorations away from irrigation systems and/or any standing body of water.

Programs funded by APS customers and approved by the Arizona Corporation Commission. CS#1607050



APS Solar Assist

Helping Arizona families while supporting the growth of solar

APS Solar Assist is a new program that will help fund rooftop solar systems for single family low-income housing. These rooftop solar systems will be funded through donations to the program and will be placed on homes that are newly constructed throughout our service territory by the central Arizona chapter of Habitat for Humanity.

For years, we have partnered with Habitat for Humanity to build and renovate homes, strengthen communities and inspire hope. And with the new APS Solar Assist program we are can all make a difference for those in need while supporting the growth of solar in Arizona.

APS Solar Assist is a voluntary contribution program that will be administered through our partnership with the Arizona Community Foundation. Any voluntary tax-deductible donations to the fund are welcome, no matter how large or small, from customers and non-customers alike.

For more information about the program, or to find out how to donate, please visit aps.com/solarassist.

Arizona Public Service Company 2016 Renewable Energy Standard Compliance Report

Docket No. E-000000R-16-0084

April 1, 2017



2016 Renewable Energy

- **Overall Production:** In 2016, APS's renewable energy portfolio produced, including energy from installations in which an incentive was not provided, 3,351,983 MWh, which is nearly 12.0 percent of APS's 2016 total retail sales.
- **Compliance Production:** In 2016, the Company's total RES resources were 2,871,942 MWh, which is 10.3 percent of APS's total 2016 retail sales.

Regulatory Commitments

- Arizona's Renewable Energy Standard (RES)
 - 6.0 percent of APS's 2016 retail kWh sales are required to be generated from renewable resources, with 30 percent of that 6.0 percent coming from Distributed Energy (DE) resources

2016 Performance vs RES Targets

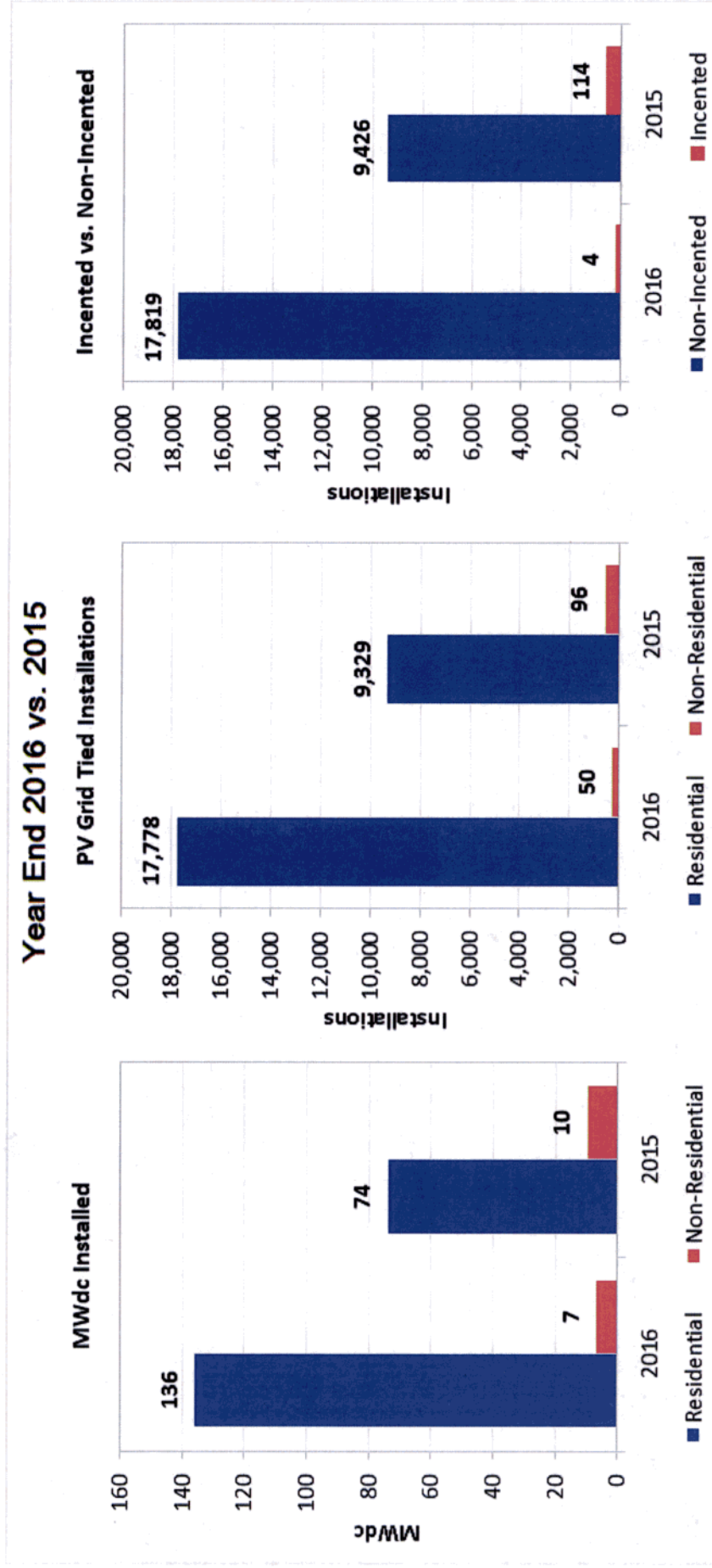
Category	Metric	%	Compliance Measure (MWh)	RES Resources (MWh)	% of Requirement
2016 Total RES Requirement	% of Retail Sales	6.0%	1,678,030	2,871,942	10.3%*
Distributed Energy RES Requirement	% RES Requirement	30%	503,409	795,804	158%
Residential DE Requirement	% of DE Requirement	50%	251,705	297,295	118%
Non-Residential DE Requirement	% of DE Requirement	50%	251,705	498,509	198%

*Represents percentage of APS's total retail sales in 2016.

APS exceeded compliance with all RES requirements

New Renewable Energy

- Distributed Energy Resources



2016 Incentive Payments

- In 2016, APS paid approximately \$.2 million in residential incentives and \$37.0 million in non-residential incentives.
- Approximately \$6k in Up Front Incentive (UFI) commitments existed at the end of 2016 for Solar Water Heating project reservations not yet installed.